

VZCZCXRO8370
RR RUEHCHI RUEHFK RUEHHM RUEHKSO RUEHPB
DE RUEHNAG #0015/01 1010903
ZNR UUUUU ZZH
R 100903Z APR 08
FM AMCONSUL NAGOYA
TO RUEHC/SECSTATE WASHDC 0218
INFO RUCPDOG/USDOC WASHDC 0014
RUEHKO/AMEMBASSY TOKYO 0225
RUEHKSO/AMCONSUL SAPPORO 0120
RUEHOK/AMCONSUL OSAKA KOBE 0151
RUEHFK/AMCONSUL FUKUOKA 0123
RUEHNH/AMCONSUL NAHA 0123
RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION
RUEHNAG/AMCONSUL NAGOYA 0235

UNCLAS SECTION 01 OF 02 NAGOYA 000015

SIPDIS

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EAIR](#) [PREL](#) [JA](#)

SUBJECT: BOEING 787 PRODUCTION DELAYS AND RESPONSE IN NAGOYA

NAGOYA 00000015 001.2 OF 002

Summary

1. (SBU) The recently announced delay for the Boeing 787 results from global supply chain and production issues. A recent visit to the Fuji Heavy Industries factory making the 787's center wing section and discussions with Fuji and Boeing 787 program executives indicate that those problems continue but that progress is being made, in part through long-term dispatch of American engineers and workers to assist production at Japanese plants.

New 787 Schedule

2. (SBU) Marking the third revision to its delivery schedule for the 787 "Dreamliner," Boeing announced April 9 that it is delaying first flight of the plane from the second to fourth quarter of 2008 and now anticipates delivering approximately 25 of the new planes in 2009, down from its most recent projection of 109. On April 10, Patrick Kelley, Boeing's Director for 787 Japan Production, described to Principal Officer Boeing's extensive exercise to "teach the Japanese partners to fish." In other words, Boeing is working to get the suppliers up to speed on production techniques for the carbon composite aircraft, but not doing their work for them.

3. (SBU) At an April 8 visit to the Fuji Heavy Industries (FHI or Subaru) 787 center-wing section plant in Handa, Aichi prefecture, Principal Officer saw American staff working together on the factory floor with FHI's Japanese line workers. Kelley explained that Boeing has dispatched 28 American contract workers from aerospace labor supply firm Plane Techs to help deal with a backlog of work resulting from a fastener shortage. Kelley said Boeing accepted responsibility for the fastener shortfall, and did not place the blame on its Japanese suppliers for that issue.

Fastener Issues

4. (SBU) Boeing has reportedly discovered the center wing box (the "heart" of the plane where the wings and fuselage meet) needed to be stiffened beyond the original design. This has made the catch-up process even more difficult. The unique nature of the fasteners used on the wing and wing box, which require greater lightning resistance than those used on traditional aluminum jets, has added to the delay in 787 fastener supply. And, because hundreds more clips and fasteners

per plane are needed to stiffen the center wing section, even more of those fasteners are required than originally planned.

Traveled Work and Traveling Labor

15. (SBU) Despite those challenges, Boeing Structures Procurement Agent Randall Greene, who works out of the FHI plant, described FHI as being in the best shape among the three major Japanese suppliers and at "near 100 percent" in terms of completing its workshare. This progress is key. "Traveled work," or assembly supposed to be done by suppliers but left uncompleted and passed to Boeing to take care of as part of final assembly, has been a major factor in 787 production delays to date. FHI has now shipped the first five center wing sections to Boeing, and has ten currently in production flow. We saw the sixth and later sections being fitted with hydraulics and electrical systems, illustrating Greene's appraisal that FHI is passing on complete or nearly complete components to the next stage of production.

16. (SBU) In addition to the 28 Plane Techs personnel at FHI, Boeing has 15 of its own staff full-time on-site and an additional number of TDYers. In comparison, at the other major suppliers, Boeing has 40 to 60 of its own staff and 70 Plane Techs workers at Mitsubishi Heavy Industries (MHI), which makes the 787's wings, its largest and most complex component, and 20 Boeing staff but no Plane Techs personnel at Kawasaki Heavy Industries (KHI), which produces the 787's forward fuselage. While the Plane Techs staff are mostly engaged in dealing with fastener issues, many have moved into other areas of production as well. Boeing staff are working on a range of issues, including engineering, supply chain control, and program management.

Comment

17. (SBU) The Boeing and FHI staff we spoke with this week acknowledged they're under the gun to keep to schedule but appeared confident they're making progress and will be able to meet the revised schedule. The stakes are enormous. Boeing has

NAGOYA 00000015 002.2 OF 002

already taken nearly 900 orders for the plane, and Nagoya-area manufacture of 787 components is frequently described as the largest production project ever undertaken by a foreign company in Japan. FHI is a supplier for all six generations of Boeing commercial airliners from the 737 to 787, among many other civil projects and has a full range of defense programs for the Self Defense Forces. FHI Vice President for Manufacturing Haruyoshi Saigoku told us, though, that once the 787 reaches full production, it will account for about 30 percent of all FHI aerospace sales.

18. (SBU) As if current demands on the regional aerospace sector weren't enough, a major new project is about to get underway. On April 1, Mitsubishi Heavy Industries formally established a Nagoya-based company to go forward with the MRJ regional jet program. FHI and KHI are expected to supply significant components.
ROCHMAN